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ATTORNEY AT LAW

October 10, 2005

Ms. Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

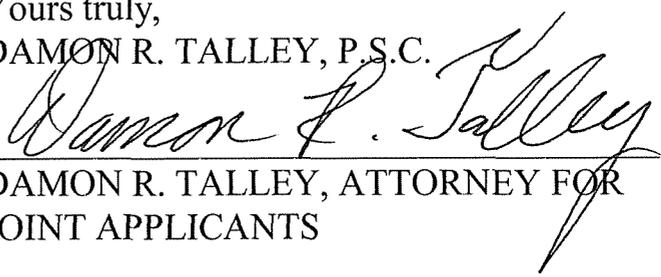
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OCT 10 2005
PUBLIC SERVICE
COMMISSION

RE: Case No. 2005- 00323
Transfer Application
Proposed Transfer of Stock from
Nuon Global Solutions USA BV to
Hydro Star, LLC

Dear Ms. O'Donnell:

Enclosed for filing are the original and eight (8) copies of the Joint Applicants' Response to the First Data Request of Commission Staff.

Yours truly,
DAMON R. TALLEY, P.S.C.


DAMON R. TALLEY, ATTORNEY FOR
JOINT APPLICANTS

DRT:ms

Enclosures

cc: David Spenard, Attorney General's Office

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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OCT 10 2005

PUBLIC SERVICE
COMMISSION

In the Matter of:

JOINT APPLICATION OF NUON GLOBAL)
SOLUTIONS USA, BV, HYDRO STAR, LLC,)
UTILITIES, INC., AND WATER SERVICE)
CORPORATION OF KENTUCKY FOR) CASE NO. 2005-00323
APPROVAL OF AN INDIRECT CHANGE IN)
CONTROL OF A CERTAIN KENTUCKY)
UTILITY PURSUANT TO THE)
PROVISIONS OF KRS 278.020(5) AND (6))
AND 807 KAR 5:001, SECTION 8)

*** **

RESPONSE OF JOINT APPLICANTS
TO FIRST DATA REQUEST
OF COMMISSION STAFF

*** **

Come the Joint Applicants, Nuon Global Solutions USA B.V. (“Nuon BV”), Hydro Star, LLC (“Hydro Star”), Utilities, Inc. (“Utilities”), and Water Service Corporation of Kentucky (“Water Service”), (the “Joint Applicants”), and for their Response to the First Data Request of Commission Staff, state as shown on the following pages:

Respectfully submitted this 10th day of October, 2005.

DAMON R. TALLEY, P.S.C.

BY: 
DAMON R. TALLEY

DAMON R. TALLEY, P.S.C.

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COUNSEL FOR NUON BV,

HYDRO STAR, UTILITIES, INC.

AND WATER SERVICE

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CERTIFICATE OF SERVICE

This is to certify that a true copy of the foregoing pleading was served by first class U. S. Mail, postage prepaid, or hand delivered, this 10th day of October, 2005 to the following:

Honorable David E. Spenard
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204


DAMON R. TALLEY

3/Utilities Inc/Response to First Data Request from PSC 10-10-05

Q1. Given the Commission's position in Case No. 2002-00018¹ that "the better practice is for all corporate entities to jointly apply for Commission approval," explain in detail why the following were not included as parties to the proceeding:

- a. American International Group, Inc. ("AIG").
- b. AIG Global Investment Group ("AIG Global").
- c. AIG Highstar Capital II, LP ("Highstar").
- d. Nuon Global Solutions USA, Inc. ("Nuon Inc.")

RESPONSE: Pursuant to the Informal Conference on September 6, 2005, the Joint Application is being amended to include AIG Highstar Capital II, LP ("Highstar") and its affiliated funds (collectively, the "Fund") and Nuon Global Solutions USA, Inc. as parties to the proceeding. Because neither American International Group, Inc. ("AIG") nor AIG Global Investment Group ("AIGGIG") do or will have any direct control over Water Service Corporation of Kentucky ("Water Service"), it was determined during the Informal Conference that they need not be included as parties to the proceeding.

WITNESS: **Steven M. Lubertozi**, Director of Regulatory Accounting, Utilities, Inc. & **John Stokes**, Managing Director, AIG Highstar Capital II, LP ("Highstar") and President of Hydro Star.

¹ Case No. 2002-00018, Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE Aktiengesellschaft and Thames Water Aqua Holdings GmbH (Ky. PSC May 30, 2002) at 11.

Q2. Explain the following statement found at page 3 of the application: “Hydro Star is a Delaware limited liability company owned by AIG Highstar Capital II, LP and certain affiliates.” Describe the relationship between Hydro Star and Highstar and the relationship between Hydro Star and the Highstar affiliates. Provide a complete list of the Highstar affiliates.

RESPONSE: Hydro Star, LLC (“Hydro Star”) is owned 100% by the Fund. Highstar’s affiliated funds include AIG Highstar Capital II Prism Fund, L.P. (“Highstar Prism”) and AIG Highstar Capital II Overseas Investors Fund, L.P. (“Highstar Overseas”), which are funds created for the purpose of providing investment vehicles for tax-exempt and non-U.S. limited partners, respectively, who receive different tax treatment than investors in Highstar, the U.S.-based fund.

WITNESS: John Stokes

Q3. At page 3 of the application, Applicants state that “Highstar II is sponsored by AIG Global Investment Group.” Define the term “sponsored by” and describe the corporate relationship that exists between AIG Global and Highstar.

RESPONSE: A fund’s sponsor is the entity that typically stands behind the general partner’s obligations with respect to the fund and is required to commit a certain percentage of capital to the fund. In the case of AIGGIG and Highstar, AIGGIG stands behind the obligations of AIG Highstar II GP, L.P., the general partner of the Fund. In addition, AIGGIG, through its affiliates, has an obligation to commit not less than 10% of the aggregate capital commitments of the Fund (in the case of Highstar, AIGGIG’s total limited partner commitments is approximately 12.5%).

WITNESS: John Stokes

Q4. At page 3 of the application, Applicants identify AIG Global as “an indirect subsidiary” of AIG. Define the term “indirect subsidiary” and describe the corporate relationship that exists between AIG and AIG Global.

RESPONSE: “Indirect” subsidiary is used to explain the fact that while AIGGIG is a subsidiary of American International Group, Inc. (“AIG”), at least one entity exists between AIG and AIGGIG in the AIG organizational structure. AIGGIG is a generally autonomous entity that is ultimately consolidated on the balance sheet of AIG for tax and accounting purposes.

WITNESS: John Stokes

Q5. Provide a corporate organizational chart and a narrative description of the corporate structure that includes descriptions of the corporate relationships that exist between the affiliates or subsidiaries. The following entities should be included in the response:

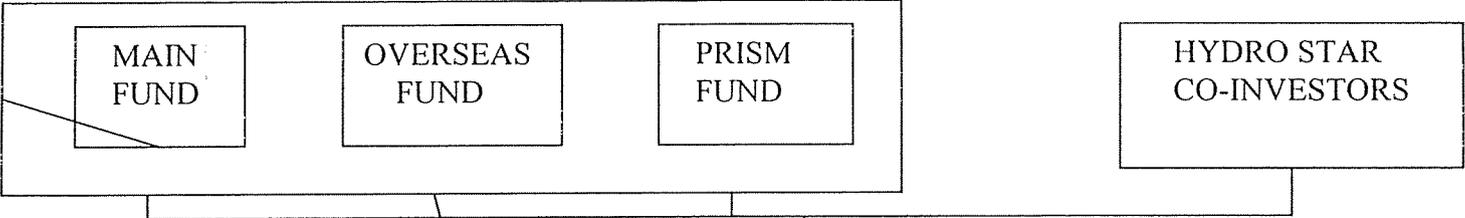
- a. AIG.
- b. AIG Global.
- c. Highstar.
- d. Hydro Star.
- e. Utilities.
- f. Water Service.
- g. Nuon Inc.

RESPONSE: Please see the organizational chart attached as **Exhibit 5**. Highstar is a limited partnership that manages an equity fund that, along with its affiliated funds, are investors in Hydro Star. The management of Highstar retains all voting rights with regard to Hydro Star. Hydro Star is a single purpose entity that was created to purchase 100% of the shares of Nuon Global Solutions USA, Inc. (“Nuon Inc.”) from Nuon Global Solutions USA, BV (“Nuon BV”). Nuon Inc. owns 100% of the shares of Utilities, Inc. (“Utilities”), which owns 100% of the shares of Water Service.

WITNESS: Steven M. Lubertozi & John Stokes

UTILITIES, INC.
GENERAL OWNERSHIP STRUCTURE
(POST CLOSING)

AIG HIGHSTAR CAPITAL II



HYDRO STAR LLC

NUON GLOBAL SOLUTIONS USA, INC.

UTILITIES, INC.

WATER SERVICE

NOTE: AIG Highstar Capital GP II, L.P. is the general partner of each fund entity and will be the general partner of any co-investment vehicles

Hydro star co-investors may invest through one or more limited partnerships, each of which will have AIG Highstar Capital GP II, L.P. as their general partner.

- Q6. a. List Highstar’s senior executive officers. For each listed officer, list all positions that he or she holds in AIG, AIG Global, and any Highstar subsidiaries or affiliates.
- b. List Hydro Star’s senior executive officers. For each listed officer, list all positions that he or she holds in AIG, AIG Global, Highstar and any Hydro Star subsidiaries or affiliates.

RESPONSE: Highstar’s senior executives are:

Name	The Fund (a)	Title	
		AIGGIG (a)	Hydro Star (b)
Christopher Lee	Managing Partner	Managing Director	CEO
Michael Miller	Partner	Managing Director	N/A
John Stokes	Partner	Managing Director	President
Jim Timmins	Partner	Managing Director	N/A
Michael Walsh	Partner	Managing Director	N/A

WITNESS: John Stokes

Q7. For each Highstar subsidiary or affiliate:

- a. Describe the nature of that entity's business.
- b. State Highstar's ownership percentage of the subsidiary or affiliate.
- c. Describe the degree of government regulation over the subsidiary or affiliate.
- d. State the location of its corporate office and actual operations.
- e. State whether the subsidiary or affiliate has had or will have a business relationship with Hydro Star or any of its operating subsidiaries.
- f. State whether it has had or will have a business relationship with Utilities or Water Service.

RESPONSE: Currently, the Fund has the following investments:

Investments	Description of Entity
AIG Highstar Capital II Ocean Star The Netherlands B.V.	a. Holding companies created by the Fund to acquire an interest in InterGen N.V. (an entity that holds a portfolio of 10 power plants purchased from Shell and Bechtel).
AIG Highstar Capital II Prism Fund Ocean Star The Netherlands B.V.	<p>b. Highstar owns approximately 25% of InterGen N.V.</p> <p>c. InterGen is a Netherlands entity, and is subject to minimal US regulation (related to power sold from Mexico into the California).</p> <p>d. InterGen's corporate offices are in Boston, MA.</p> <p>e. InterGen will have no business relationship with Hydro Star.</p>

	<p>f. InterGen will have no business relationship with Utilities or Water Service.</p>
<p>Highstar Generation, LLC</p>	<p>a. Holding company created by the Fund to acquire a 50% interest in Northern Star Generation, LLC (an entity that holds a portfolio of 15 power plants from El Paso Corporation)</p> <p>b. Highstar owns approximately 50% of Northern Star.</p> <p>c. Northern Star owns and operates Qualified Facilities and Electric Wholesale Generators, and is subject to FERC regulations.</p> <p>d. Northern Star's corporate offices are in Houston, TX.</p> <p>e. Northern Star will have no business relationship with Hydro Star.</p> <p>f. Northern Star will have no business relationship with Utilities or Water Service.</p>

WITNESS: John Stokes

Q8. For each Hydro Star subsidiary or affiliate:

a. Describe the nature of that entity's business.

RESPONSE: Hydro Star is a holding company created by the Fund to acquire the stock of Nuon Inc.

Q8. b. State Hydro Star's ownership percentage of the subsidiary or affiliate.

RESPONSE: 100%

Q8. c. Describe the degree of government regulation over the subsidiary or affiliate.

RESPONSE: None

Q8. d. State the location of its corporate office and actual operations.

RESPONSE: Hydro Star is a Delaware limited liability company. Hydro Star has offices for service of process in Delaware, but otherwise has no operations in that state. Hydro Star's corporate headquarters are located in New York.

Q8. e. State whether it has had or will have a business relationship with Utilities or Water Service.

RESPONSE: Hydro Star will have a financial relationship, but not a commercial relationship, with Utilities. It is not anticipated that Water Service will have any business relationships with any of the Fund's subsidiaries or affiliates.

WITNESS: John Stokes

